

**ONTARIO EQUESTRIAN FEDERATION
INCORPORATED**

Financial Statements

Year Ended - March 31, 2013

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ONTARIO EQUESTRIAN FEDERATION INCORPORATED

Year Ended - March 31, 2013

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
Statement of financial position	2
Statement of loss and changes in net assets	3
Statement of cash flows	4
Notes to financial statements	5 - 8

INDEPENDENT AUDITORS' REPORT

To the Members of
Ontario Equestrian Federation Incorporated

We have audited the accompanying statement of financial position of Ontario Equestrian Federation Incorporated as at March 31, 2013 and the statements of loss and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion of these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements presents fairly, in all material respects, the financial position of Ontario Equestrian Federation Incorporated as at March 31, 2013 and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Truster Zweig LLP

Richmond Hill, Ontario
July 18, 2013

Chartered Accountants
Licensed Public Accountants

ONTARIO EQUESTRIAN FEDERATION INCORPORATED
Statement of Financial Position
March 31, 2013

	<u>Notes</u>	<u>2013</u>	<u>2012</u>
ASSETS			
CURRENT			
Cash and cash equivalents		\$ 231,972	\$ 459,487
Short term investments		358,921	353,009
Accounts receivable	3	50,123	171,067
Prepaid expenses and sundry receivables		34,758	18,571
		<u>675,774</u>	<u>1,002,134</u>
EQUIPMENT	4	<u>193,917</u>	<u>189,761</u>
		<u>\$ 869,691</u>	<u>\$ 1,191,895</u>
LIABILITIES AND NET ASSETS			
CURRENT			
Accounts payable and accrued liabilities		\$ 220,136	\$ 489,613
Government remittances		87,349	17,366
Deferred revenue	5	486,041	570,773
		<u>793,526</u>	<u>1,077,752</u>
UNRESTRICTED NET ASSETS		<u>76,165</u>	<u>114,143</u>
		<u>\$ 869,691</u>	<u>\$ 1,191,895</u>

APPROVED ON BEHALF OF THE BOARD

 Director

 Director



ONTARIO EQUESTRIAN FEDERATION INCORPORATED
Statement of Loss and Changes in Net Assets
Year Ended - March 31, 2013

	2013	%	2012	%
REVENUE				
Membership	\$ 1,166,691	74.8	\$ 1,141,185	76.6
Registrations	87,215	5.6	74,817	5.0
Grants	155,149	9.9	108,547	7.3
Merchandise sales	30	-	181	-
Advertising and sponsorships	126,486	8.1	123,292	8.3
Interest and other	24,924	1.6	41,804	2.8
	1,560,495	100.0	1,489,826	100.0
EXPENSES				
Advertising	40,470	2.6	34,290	2.3
Affiliate fees	990	0.1	3,071	0.2
Amortization	64,726	4.1	42,258	2.8
Facility rental	30,632	2.0	23,473	1.6
Grants to affiliate members	93,955	6.0	95,085	6.4
Insurance	160,261	10.3	161,279	10.8
Legal and audit	39,580	2.5	32,182	2.2
Merchandise costs	-	-	3,574	0.2
Office and general	158,589	10.2	222,718	14.9
Rent	109,506	7.0	98,050	6.6
Travel	68,535	4.4	57,661	3.9
Visa and bank charges	42,946	2.8	41,382	2.8
Wages and benefits	705,675	45.2	540,447	36.3
Website costs	1,056	0.1	4,059	0.3
Whoa magazine costs	81,552	5.2	102,649	6.9
	1,598,473	102.5	1,462,178	98.2
INCOME (LOSS) BEFORE THE FOLLOWING				
	(37,978)		27,648	
HST audit adjustments	-		(72,648)	
LOSS FROM OPERATIONS				
	(37,978)		(45,000)	
Net Assets, beginning of year	114,143		159,143	
NET ASSETS, end of year				
	\$ 76,165		\$ 114,143	



ONTARIO EQUESTRIAN FEDERATION INCORPORATED
Statement of Cash Flows
Year Ended - March 31, 2013

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from members and sponsors	\$ 1,681,440	\$ 1,421,875
Cash paid to suppliers and employees	<u>(1,834,160)</u>	<u>(1,238,675)</u>
	<u>(152,720)</u>	<u>183,200</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Short term investments	(5,912)	(2,262)
Equipment additions	<u>(68,882)</u>	<u>(191,395)</u>
	<u>(74,794)</u>	<u>(193,657)</u>
NET CASH DECREASE , during the year	(227,514)	(10,457)
Cash, beginning of year	<u>459,487</u>	<u>469,944</u>
CASH AND CASH EQUIVALENTS , end of year	<u>\$ 231,973</u>	<u>\$ 459,487</u>

Cash and cash equivalents is defined as cash and short term investments with maturities of less than 90 days.



ONTARIO EQUESTRIAN FEDERATION INCORPORATED
Notes to Financial Statements
March 31, 2013

1. PURPOSE OF ORGANIZATION

The Ontario Equestrian Federation Incorporated, referred to in these statements as the "Federation", is incorporated as a non-share capital, not-for-profit corporation under the laws of Ontario, to promote and regulate equestrian activities in Ontario in accordance with the policy and rules of Equine Canada. As an amateur athletic organization, the Federation is exempt from Canadian income tax.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Federation are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The most significant policies are as follows:

a) Revenue recognition

The Federation follows the deferral method of accounting for contributions. Contributions are classified as (i) restricted, which are recognized as revenue in the year in which the related expenses are incurred and (ii) unrestricted, which are recognized as revenue when received (or receivable, if the amount to be received can reasonably be estimated and collection is reasonably assured). Individual membership fees and dues are recognized pro-rata on a calendar year basis.

Membership fees and dues from associations are recorded on an accrual basis, however, those from individuals are recorded on a cash basis due to the uncertainty of collection.

Expenses are recognized as they are incurred and measurable as a result of receipt of goods and services and the creation of a legal obligation to pay.

b) Volunteer services

Many of the Federation's activities are dependent upon the contribution of volunteer time. Because of the difficulty in determining fair value for these services, they are not recognized within these financial statements.

c) Equipment

Equipment is recorded at cost. Amortization is provided annually at rates calculated to write-off the assets over their estimated useful lives as follows:

Computer equipment	30% Declining balance
Computer software	30% Declining balance
Furniture and equipment	20% Declining balance
OEF trailers	30% Declining balance
OEF trucks	30% Declining balance
Leasehold improvements	10% Straight line
Database	20% Declining balance
Website	35% Declining balance

ONTARIO EQUESTRIAN FEDERATION INCORPORATED
Notes to Financial Statements
March 31, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

d) Financial instruments

The Federation measures its financial instruments, consisting of cash and cash equivalents, short term investments, accounts receivable, accounts payable and accrued liabilities, government remittances and deferred revenue at cost or amortized cost.

e) Use of estimates

The preparation of these financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the period in which they become known. Actual results could differ from those estimates. Accounts requiring significant estimates and assumptions include short term investments and accounts payable and accrued liabilities.

3. ACCOUNTS RECEIVABLE

Accounts receivable is net of allowance for doubtful accounts of \$2,070 (2012 - \$3,975).

4. EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value	
			2013	2012
Computer equipment	\$ 128,317	\$ 106,892	\$ 21,425	\$ 23,974
Computer software	8,423	6,206	2,217	-
Furniture and equipment	107,610	52,564	55,046	50,285
OEF Trucks	36,871	28,018	8,853	12,647
Leasehold improvements	23,449	4,690	18,759	21,104
Database	64,769	21,487	43,282	42,665
Website	68,205	23,870	44,335	39,086
	<u>\$ 443,179</u>	<u>\$ 249,262</u>	<u>\$ 193,917</u>	<u>\$ 189,761</u>

5. DEFERRED REVENUE

Deferred revenue represents the unearned portion of membership fees and advance payments for competition received from affiliate associations. See Note 2 (a).

ONTARIO EQUESTRIAN FEDERATION INCORPORATED
Notes to Financial Statements
March 31, 2013

6. DRUG AND MEDICATIONS TRUST FUND

The Ontario Equestrian Federation Incorporated maintains funds in trust in a separate bank and brokerage account for drug testing at equestrian events. These balances, totaling \$152,510 (2012 - \$150,623), are restricted in nature. The Federation has no residual claim in any fund equity and has only been engaged as trustee and administrator of these funds. Accordingly, they are not included in the statement of financial position, and the cash inflows and outflows from this account are not included in the statement of operations or statement of cash flows.

7. TRANSACTIONS WITH EQUINE CANADA

Included in accounts receivable is \$2,301 (2012 - \$12,093) due from Equine Canada. Included in accounts payable is \$77,159 (2012 - \$45,278) due to Equine Canada. Equine Canada is the national governing body for equine sport, of which the Federation is the provincial arm for Ontario. A portion of each membership fee collected by the Federation is owed to Equine Canada and payments are transferred on a quarterly basis, as per long-standing agreement with Equine Canada. Total membership fees paid for 2013 was \$154,361 (2012 - \$186,376).

These transactions are in the normal course of operations and are measured at the exchange amount being the amount of consideration agreed to by the related parties.

8. COMMITMENTS AND CONTINGENCIES

a) The Federation has leased premises under an agreement which ends in February 2022. Total annual lease payments for each of the next five years and thereafter are as follows:

2014	\$	53,912
2015		54,279
2016		58,313
2017		58,313
2018		58,313
Thereafter		<u>241,597</u>
	\$	<u><u>524,727</u></u>

b) The Federation has agreed to indemnify its past, present and future directors, officers, employees and volunteers against expenses (including legal expenses), judgments and any amount actually or reasonably incurred by them in connection with any action, suit or proceeding in which the directors are sued as a result of their service, if they acted honestly and in good faith with a view to the best interests of the Federation.

The nature of the indemnity prevents the Federation from reasonably estimating the maximum exposure. The Federation has purchased directors' and officers' liability insurance with respect to the indemnification. Historically, the Federation has not made any payments under such or similar indemnification agreements. At this time, the Federation is not aware of any claims under these guarantees and, therefore, no amount has been accrued in the financial statements with respect to these guarantees.

9. FINANCIAL INSTRUMENTS

The Federation is exposed to various risks through its financial instruments. The following analysis provides a measure of the Federation's risk exposure and concentrations at the balance sheet date.

i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge its obligation. The Federation provides credit to its members and sponsors in the normal course of its operations. It carries out credit checks, on a continuing basis and maintains provisions for contingent credit losses which, once they materialize, are consistent with management forecasts. The Federation believes the credit risk regarding receivables to be minimal due to its members and sponsors base and its subsequent collection.

ii) Liquidity risk

Liquidity risk is the risk that the Federation will encounter difficulty in meeting obligations associated with financial liabilities. The Federation is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, government remittances and deferred revenue. The Federation believes the liquidity risk to be minimal due to the fact that the Federation has always met their commitments as they become due.

iii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Federation is not exposed to any such risks.